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FISCAL IMPACT STATEMENT

LS 7640

BILL NUMBER: HB 1803

NOTE PREPARED: Jan 6, 2003

BILL AMENDED:

SUBJECT: Budgets of appointed bodies.

FIRST AUTHOR: Rep. Alderman

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: ☒ **GENERAL**
☒ **DEDICATED**
☐ **FEDERAL**

IMPACT: State & Local

Summary of Legislation: This bill requires a lease with an original term of at least five years or the bonded indebtedness of a civil taxing unit that does not have a majority of elected members to be approved by the city, town, or county fiscal body.

Budget Review: This bill also requires an elected fiscal body to review and approve the proposed budget and tax levy of an appointed governing body of a taxing unit, including school corporations and public library districts. It permits review of a proposed budget and tax levy that is less than 5% greater than the prior year's levy. The bill also permits the reduction of a proposed tax levy to an amount that is less than the maximum permissible levy.

Effective Date: Upon passage.

Explanation of State Expenditures: If the review of budgets by an elected fiscal body reduces the levies below the maximum levy as explained below in local revenues, then the state would realize a savings equal to 20% of the portion of the reduction attributable to real property. However, for school general funds, the state would save 60% of the reduction attributable to business personal property and 68% of the portion of the reduction attributable to real property and non-business personal property. This savings would come from a reduction in the payment of property tax replacement credits (PTRC). In addition, the state is responsible for homestead credits equal to 20% of the net property tax liability on owner-occupied homes. Any levy reduction from the review of budgets or debt issues would also reduce the state's homestead credit liability. PTRC and homestead credits are paid from the Property Tax Relief Fund, which is annually supplemented by the state General Fund. Therefore, any PTRC or homestead credit savings would ultimately benefit the General Fund.

Explanation of State Revenues:

Explanation of Local Expenditures:

Explanation of Local Revenues: Under current law, fiscal bodies of cities, towns, and counties must review and adopt budgets and tax levies for taxing units that (a) are not comprised of a majority of officials who are elected to serve on the governing bodies and (b) are proposing an increase in the tax levy that is greater than 5%. This provision does not currently apply to school boards or library boards. The fiscal bodies that review and adopt the budgets are currently prohibited from reducing the proposed tax levy to an amount that is less than the maximum levy.

Under this proposal, all budgets proposed by appointed governing bodies would have to be reviewed by an elected fiscal body. This provision would apply regardless of the amount of the levy increase and would include library boards and appointed school boards as well. Currently, between 5% and 10% of school boards are comprised of appointed members. This bill would also allow the elected fiscal bodies to reduce the levy to an amount that is less than the maximum levy.

This provision would add the direct review of an elected body when adopting a library or school (with an appointed board) budget and levy. The bill could also add more scrutiny over the budgets of all other appointed governing bodies' budgets where levy increases are equal to 5% or less.

The bill would also require all non-school units with appointed governing bodies to seek the approval of the elected fiscal body to incur debt or enter into a five year or longer lease before requesting approval from the Department of Local Government Finance.

The added review of budgets and debt issues along with the provision that would allow the elected bodies to reduce the appointed bodies' levies below the maximum levy could slow the growth of, or reduce, some levies. A reduction of the property tax levy would mean a reduction of revenues for the taxing unit.

State Agencies Affected: Department of Local Government Finance.

Local Agencies Affected: All taxing units with appointed governing bodies.

Information Sources:

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